BEFORE THE ILLINOIS COMMERCE COMMISSION
OF THE STATE OF ILLINOIS

Docket No. 03-0596

Direct Testimony of Richard Anderson
On Behalf of Allegiance Telecom of Illinois, Inc.

Allegiance Telecom of Illinois, Inc. Exhibit 1.0



January 14, 2004

# DIRECT TESTIMONY OF RICHARD ANDERSON
# ON BEHALF OF ALLEGIANCE TELECOM OF ILLINOIS, INC.

**Q1. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

A1. My name is Richard Anderson. I am Senior Vice President, Network Planning, Engineering and Operations for Allegiance Telecom, Inc. ("Allegiance"), the parent company of Allegiance Telecom of Illinois, Inc. My business address is 700 East Butterfield, Road, Lombard, IL 60148.

**Q2. WHAT ARE YOUR JOB RESPONSIBILITIES AT ALLEGIANCE?**

A2. I am responsible for the planning, administration, engineering and operations of Allegiance's network infrastructure. These responsibilities include network and transport planning, traffic and capacity management, and network administration including 911, operator services and number administration. In addition, I oversee all engineering functions including switch, transport, central office and data. Finally, I am in charge of network operations which includes, among other things, the network operations control center, the installation, repair and maintenance force, internal communications and data operations.

**Q3. BRIEFLY DESCRIBE YOUR PRIOR BUSINESS EXPERIENCE AND EDUCATIONAL BACKGROUND.**

A3. I was one of the original founders of Allegiance in 1997. Prior to that, I was with Metropolitan Fiber Systems (MFS), planning and supervising the implementation of that carrier's rollout of several new markets. Prior to MFS, I held various planning, engineering and operations positions with Ameritech Services and Wisconsin Telephone Co. I have over 39 years experience in the telecommunications industry with both incumbent and competitive local exchange carriers. I earned a Bachelor of Arts degree in liberal arts from DePaul University in Chicago.

**Q4. HAVE YOU TESTIFIED PREVIOUSLY IN A REGULATORY PROCEEDING?**

A4. Yes. I testified in an arbitration case between Allegiance and SBC Ohio before the Public Utilities Commission of Ohio, Case No. 01-724-TP-ARB concerning the terms and conditions of an interconnection agreement and I am an Allegiance witness in the Triennial Review proceedings in several states.

**Q5. PLEASE DESCRIBE ALLEGIANCE TELECOM.**

A5. Allegiance is a national, facilities-based, integrated communications provider that offers a competitive, one-stop-shopping package of telecommunications services, including local, long distance and Internet services, to business, government and other institutional users in 36 metropolitan areas across the United States. In

Illinois, Allegiance provides service in the Chicago metropolitan area through its local operating subsidiary, Allegiance Telecom of Illinois, Inc.

**Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A6. My testimony is organized into three sections. First, I address how Allegiance uses dedicated transport within its network and how a number of the findings made by SBC Illinois with regard to Allegiance Telecom's transport facilities in the Direct Testimony of J. Gary Smith filed on behalf of SBC Illinois are wrong and that the assumptions upon which SBC Illinois' dedicated transport case are founded are flawed. Next, I describe my concerns over the inadequacy of the methodology used by SBC Illinois in its application of the wholesale trigger to high-capacity loops also submitted by J. Gary Smith. Lastly, I propose that this Commission establish a process to verify data provided by SBC Illinois and the CLECs before any transport routes or loop locations are found to be non-impaired. I also propose that the Commission develop a transition plan should the Commission find no impairment on specific dedicated transport routes or specific loop locations.

## DEDICATED TRANSPORT

**Q7. PLEASE DESCRIBE THE ALLEGIANCE NETWORK IN ILLINOIS.**

A7. Allegiance has installed one Class 5, 5ESS switch in Chicago and has built 56 collocations in SBC Illinois wire centers in LATA 358. Connecting the switch and collocations is a distribution network. Attachment RA-1 depicts a typical design for the Allegiance distribution network that one would generally find in Chicago and the other markets in which Allegiance provides telecommunications services. We generally use DS3 or OCn transmission facilities to carry traffic between Allegiance collocation sites and our switching center. We lease loop facilities, primarily voice-grade and DS1, as UNEs from SBC Illinois, to connect end user customers to the various collocations.

**Q8. PLEASE DESCRIBE THE DEDICATED TRANSPORT ALLEGIANCE HAS DEPLOYED IN ITS NETWORK IN ILLINOIS.**

A8. As I indicated above, Allegiance primarily uses dedicated interoffice DS3 and OCn transmission facilities to carry traffic between Allegiance's switch and collocation sites. There are two sources of dedicated transport available to Allegiance: 1) DS3 or dark fiber UNEs or special access provided by SBC Illinois; or, in some locations, 2) DS3s or dark fiber leased from a third party provider. Attachment RA-1 shows the typical dedicated transport configurations that would be found in the Allegiance network in Illinois. The illustration shows a fiber ring connecting two collocation sites to the Allegiance switch. The underlying dark fiber facilities can be either leased from the incumbent carrier as UNEs or, where available, can be procured from another provider. In either

situation, we light the fiber with our own optronics to provide the desired transmission level. In addition to fiber, Allegiance typically leases DS3s to interconnect our switch with additional collocation sites, again, either as UNEs from SBC Illinois or from a third party where alternative providers offer these services.

**Q9. HOW DOES ALLEGIANCE DECIDE ON THE TYPE OF TRANPORT TO DEPLOY?**

A9. Allegiance employs several criteria in making the decision between purchasing dark fiber and leasing a transport circuit. First and foremost is whether we have a choice of providers on particular routes. In many cases, we do not have any option other than to use SBC Illinois. Where we do have a choice of providers, the relative cost of the options is obviously a prime consideration. However, availability and ease of deployment are also significant factors. Generally, a competitive carrier like Allegiance manages its facilities to ensure that there is capacity available to serve existing and future demand. Therefore, we are continually optimizing the distribution network as demand grows to take advantage of higher bandwidth and less costly transport. For example, when Allegiance first built its network in Illinois, each collocation was served by a single DS3 circuit running from the wire center back to our switch. As the business grew, we investigated and ultimately purchased dark fiber from a third party provider to connect several of our collocations to our switch because dark

fiber provided the best economic solution for our current and estimated future capacity needs in those locations.

**Q10. HOW RELIANT IS ALLEGIANCE ON DEDICATED TRANSPORT FROM SBC ILLINOIS?**

A10. Very. In Illinois, we use SBC Illinois UNE DS3 transport to connect our switch to approximately 75% of our collocations.

**Q11. DOES ALLEGIANCE PROCURE DEDICATED TRANSPORT FROM OTHER CARRIERS IN ILLINOIS?**

A11. No. However, we do lease DS3 facilities from other carriers that are used as entrance facilities between our switch site and some of our collocations in Illinois. This arrangement is depicted as Collocation A on Attachment RA-1.

**Q12. HAS ALLEGIANCE PROCURED DARK FIBER FROM CARRIERS IN ILLINOIS?**

A12. Yes, we have procured dark fiber from Above Net in Illinois to provision two separate fiber rings in Chicago. Each of these two fiber rings is used in connect three of our collocations to our switch.

**Q13. HAVE YOU READ THE TESTIMONY OF J. GARY SMITH ON BEHALF OF SBC ILLINOIS?**

A13. Yes, I have.

**Q14. DO YOU AGREE WITH WITNESS SMITH THAT A CARRIER WITH FIBER-BASED COLLOCATION ARRANGEMENTS IN MULTIPLE WIRE CENTERS, BY DEFINITION, HAS TRANSPORT FACILITIES CONNECTING ALL OF THESE WIRE CENTERS?**

A14. No. I find this assumption by Mr. Smith to be overly simplistic and, as result, it has led SBC Illinois to an erroneous conclusion. As I mentioned earlier, Allegiance has self-provisioned two fiber rings in Chicago with three collocations or nodes on each ring. Using SBC Illinois' assumption that every fiber-based collocation is connected to every other fiber-based collocation (Smith Exhibit 1.0, p. 18), Mr. Smith would conclude that each of the three collocations on each ring is interconnected. This is not the case for two reasons. First, all of Allegiance's fiber ring circuits are "home runned" at the electrical level to our switch, meaning there is no defined point-to-point electrical circuit between any of the offices on a given ring. Thus, although a physical path exists between various A and Z locations on the rings, a logical point-to-point path does not exist between any pair of offices in Illinois. Secondly, these rings are not interconnected with each other. Without network modifications, including the installation and provisioning of add-drop multiplexers, Allegiance does not have any point-to-point transport capability between any A and Z locations in Illinois. Therefore, the configuration of Allegiance's network and perhaps the network configuration of other CLEC

networks as well, brings into serious question the validity of the assumption that the mere existence of fiber in two or more collocations establishes the existence of a dedicated transport route between such wire centers.

**Q15. DO YOU AGREE WITH SBC ILLINOIS' IDENTIFICATION OF ALLEGIANCE'S SELF-PROVISIONED ROUTES IN ILLINOIS?**

A15. No. In addition to the flaw I describe above, SBC Illinois has incorrectly included in its list of Allegiance self-provisioned routes four routes where Allegiance has no fiber-based collocation but in fact is still using SBC Illinois UNE transport. The incorrect routes are routes 42, 56, 68 and 98 on Attachment JGS-10. Even if one were to accept SBC Illinois' assumptions that all fiber-fed collocations are interconnected, this would account for only six of the ten routes SBC Illinois claims are self-provisioned. Allegiance has not performed an analysis to determine if similar mistakes have been made with respect to any assertion by Mr. Smith that other carriers have self-provisioned dedicated transport routes. Hopefully, other carriers will step forward in this proceeding to point out factual mistakes that SBC Illinois has made. Later I will describe the need for Commission oversight to verify and confirm on a route specific basis whether any of the triggers have been met.

**Q17. DO YOU HAVE ANY OTHER CONCERNS WITH MR. SMITH'S USE OF FIBER-BASED COLLOCATIONS TO SATISFY THE SELF-PROVISIONING TRIGGER FOR DS3 DEDICATED TRANSPORT?**

A17. Yes, I do. I have concerns about Mr. Smith's attempt to use the alleged existence of fiber-based dedicated transport to satisfy the self-provisioning trigger for DS3 transport. Mr. Smith argues that fiber can be used to support any transmission level, including DS3. This is obviously true. An OC48 fiber facility, for example, can support as many as 48 DS3 circuits. This however misses the point. The fact that high-capacity fiber facilities exist at some OCn level does not establish that it is economical to provide some lesser included bandwidth such as DS3 at any of the locations touched by the OC48. The fact that carriers with sufficient traffic can self-provision fiber does nothing to establish whether a carrier will self-provision at a lower capacity level such as DS3. Allegiance has both OCn and DS3 transport facilities. We would never install facilities to support an OCn transmission level if our traffic demands suggested that DS3 capacity or multiple DS3s was sufficient. In essence, Mr. Smith is comparing apples to oranges.

**Q16. SBC ILLINOIS HAS IDENTIFIED ALLEGIANCE AS PROVIDING TRANSPORT ON A WHOLESALE BASIS, DO YOU AGREE?**

A16. No, Allegiance has not provided any wholesale transport in Illinois.

**Q17. HAS ALLEGIANCE FILED A TARIFF IN ILLINOIS THAT INCLUDES A DEDICATED TRANSPORT OFFERING?**

A17. Yes. Our Illinois Access Tariff does include dedicated transport. However, this tariff was filed in 1998 when Allegiance was just entering the Chicago market and had not finalized its product offerings. Although the tariff is still on file, we have not sold any dedicated transport services to other carriers. We do not market wholesale transport services today and are not capable of providing dedicated transport on a widely available basis. In addition, as I have already discussed concerning the fact that we have no point-to-point circuits between central offices on our fiber rings, we are not operationally ready to provision, administer and actively maintain dedicated transport to third parties.

## HIGH-CAPACITY LOOPS

**Q18. PLEASE DESCRIBE THE LOOP FACILIITIES THAT ALLEGIANCE UTILIZES IN ILLINOIS.**

A18. Allegiance purchases unbundled voice-grade and DS1 loop facilities exclusively from SBC Illinois.

**Q19. DOES ALLEGIANCE SELF-PROVISION LOOP FACILITIES IN ILLINOIS?**

A19. No. Allegiance does not self-provision any loops.

**Q20. WHY DOESN'T ALLEGIANCE SELF-PROVISION ITS OWN LOOPS?**

A20. There are three principal reasons why it does not make sense for Allegiance to self-provision loop facilities. First, we primarily serve customers using DS0 or DS1 loops and it is very difficult to justify the expense of building such lower capacity loops to our end users. Second, since it is not feasible for us to build loop plant before we acquire a customer in a particular location, the decision to extend our own loops to particular customers can be made only after we have signed up a customer. Under the most favorable of circumstances, it still takes a minimum of several weeks, if not a few months, to build a loop to a customer. Customers will not wait such a long period of time for service to be provisioned. Third, even if one could solve the first two of these problems, there is too great a risk that we would be left with stranded investment if the customer moved, went out of business or discontinued our service.

**Q21. HAS SBC ILLINOIS INCORRECTLY IDENTIFIED ALLEGIANCE AS A SELF-PROVISONER OF LOOPS?**

A21. Yes. In his testimony, Mr. Smith provides "a list of carriers that provide fiber loop facilities in the state"(Smith Exhibit 2.0, p. 6). Allegiance is identified on that list as both a wholesale service provider and a self-provisioner (Smith Exhibit 2.0, Attachment 3). Since Allegiance relies exclusively on SBC Illinois for loops, I do not know how Allegiance could ever be considered a wholesaler or self-provisioner of loops. SBC Illinois appears to rely on the same flawed

assumptions for DS1 loops that it used for transport. Namely, they assume that if a carrier has fiber and such carrier generally holds itself out to wholesale some service in a brochure or on the carrier's website, that this specific fiber route is available for wholesale at any level of capacity below OCn, including DS1 and DS3.

**Q22. DO YOU AGREE WITH SBC ILLINOIS WITNESS SMITH THAT DS1 LOOPS ARE AVAILABLE FROM A THIRD-PARTY PROVIDER?**

A22. I am not aware of any wholesale third-party providers of DS1 loops in Illinois.

**Q23. EVEN IF SBC ILLINOIS' CLAIM OF THE EXISTENCE OF THIRD-PARTY PROVIDERS OF DS1 LOOPS WERE FOUND TO BE ACCURATE, WOULD ALLEGIANCE BE ABLE TO UTILIZE THESE FACILITIES?**

A23. I doubt it. Allegiance serves the small to medium business market where the demand for DS1 loops for any one customer location is fairly small. Depending on the type of equipment deployed by the wholesale provider, it may not be in their interest to provision one or two DS1s to a small carrier such as Allegiance. Also, operational and administrative processes are not in place to maintain and order third-party loop facilities in a timely fashion.

**Q24. HAVE YOU IDENTIFIED ISSUES WITH RESPECT TO USING THIRD PARTY LOCAL LOOP PROVIDERS?**

A24. Yes. There are basically two ways that Allegiance could integrate a third-party provided DS1 loop into its network, if such a third party vendor existed. If the loop provider was collocated in the same wire center as Allegiance, we could pay SBC Illinois to provide a cross-connect between the two collocations. This would certainly add additional cost. In the alternative, the loop provider could bring the DS1 loop facility directly to our switch. However, as I have stated before in my discussion of transport facilities, for practical and economic reasons the Allegiance network is built on a DS3 level so the equipment in our switch site used to terminate facilities is only equipped to terminate DS3s not DS1s. Therefore, a single DS1 loop provided by a third party would require the establishment of a DS3 in order to deliver the circuit, resulting in an inefficient and costly arrangement.

**Q25. DO YOU AGREE WITH THE METHODOLOGY USED BY SBC ILLINOIS TO IDENTIFY POTENTIAL HIGH-CAPACITY LOOP LOCATIONS?**

A25. No. I believe the methodology used by SBC Illinois to identify potential high-capacity loop locations is over-simplified. It appears that SBC Illinois started with a list of wholesale fiber providers and assumed that if the fiber run of the

carrier was within a certain proximity to a building that, in and of itself, was evidence to show operational readiness and availability. In addition, SBC has over-simplified the cost and timing of new construction into a building by a third party provider. If we were to provision our own loops, we would not construct our own facilities, but rather would contract with companies that have built or are willing to build facilities into a building. While the example provided by SBC could certainly be experienced from time to time, the reality is that every job is different and variables such as permits, building access, building ownership, municipal laws, and existing construction could all play a role in the opportunity and costs associated with construction. If, as in SBC's case, you are assured that the majority of customers (assuming a multi-customer location) will sign up for your services and you can generate some wholesale revenues even for customers that do not choose you at retail, it is much easier to justify spending the dollars to build loop plant. This is not an option for companies of our current limited size and scale and is realistic only for the dominant incumbent carrier.

## DATA VERIFCATION AND TRANSITION PLAN

**Q26. IS ALLEGIANCE SATISFIED WITH THE ACCURACY OF THE DATA UTILIZED BY SBC ILLINOIS?**

A26. No. SBC Illinois has incorrectly identified Allegiance's self-provisioned transport routes, erroneously claims Allegiance as a self-provisioner of high-

capacity loops and wrongly claims Allegiance as a wholesale provider for both transport and loops when we have in fact provided no wholesale transport or loops in Illinois. If our experience is representative of how SBC Illinois has collated the data for other CLECs, it is clear that SBC Illinois has grossly overstated the facts with respect to self-provisioned and wholesale transport triggers in Illinois. The Commission needs to establish a formal verification process that is route and location specific before it can rely on the data SBC Illinois uses in its testimony to determine routes that meet the FCC's triggers for non-impairment.

**Q27. WHAT TYPE OF A DATA VERIFICATION PROCESS SHOULD THE COMMISSION ESTABLISH?**

A27. Allegiance suggests that the Commission act as a clearinghouse and require each certified CLEC and/or transport or loop provider identified by SBC Illinois to verify under oath the transport routes and loop locations which it self-provisions and those which it offers up for wholesale. This verified data then should become the basis for determining whether the FCC's triggers for non-impairment on any given transport route have been met.

**Q28. ARE THERE TRANSITION ISSUES THAT MUST BE ADDRESSED BY THE COMMISSION IF IT FINDS NO IMPAIRMENT ON A TRANSPORT ROUTE?**

A28. Yes. Should the Commission conclude that there is no impairment on certain dedicated transport routes or loop locations, Allegiance and other CLECs will need time to identify other providers, verify available capacity and groom existing services on to alternative facilities.

**Q29. WHAT TYPE OF TRANSITION PLAN WOULD BE APPROPRIATE?**

A29. Allegiance believes that the Commission should order that the existing month-to-month TELRIC prices for the routes for which no impairment is found be maintained for 12 months to give CLECs adequate time to negotiate new prices with SBC Illinois or to make arrangements with other providers. In addition, the pricing in any existing longer-term contracts that are in place on the affected routes should be maintained through the end of the contract period.

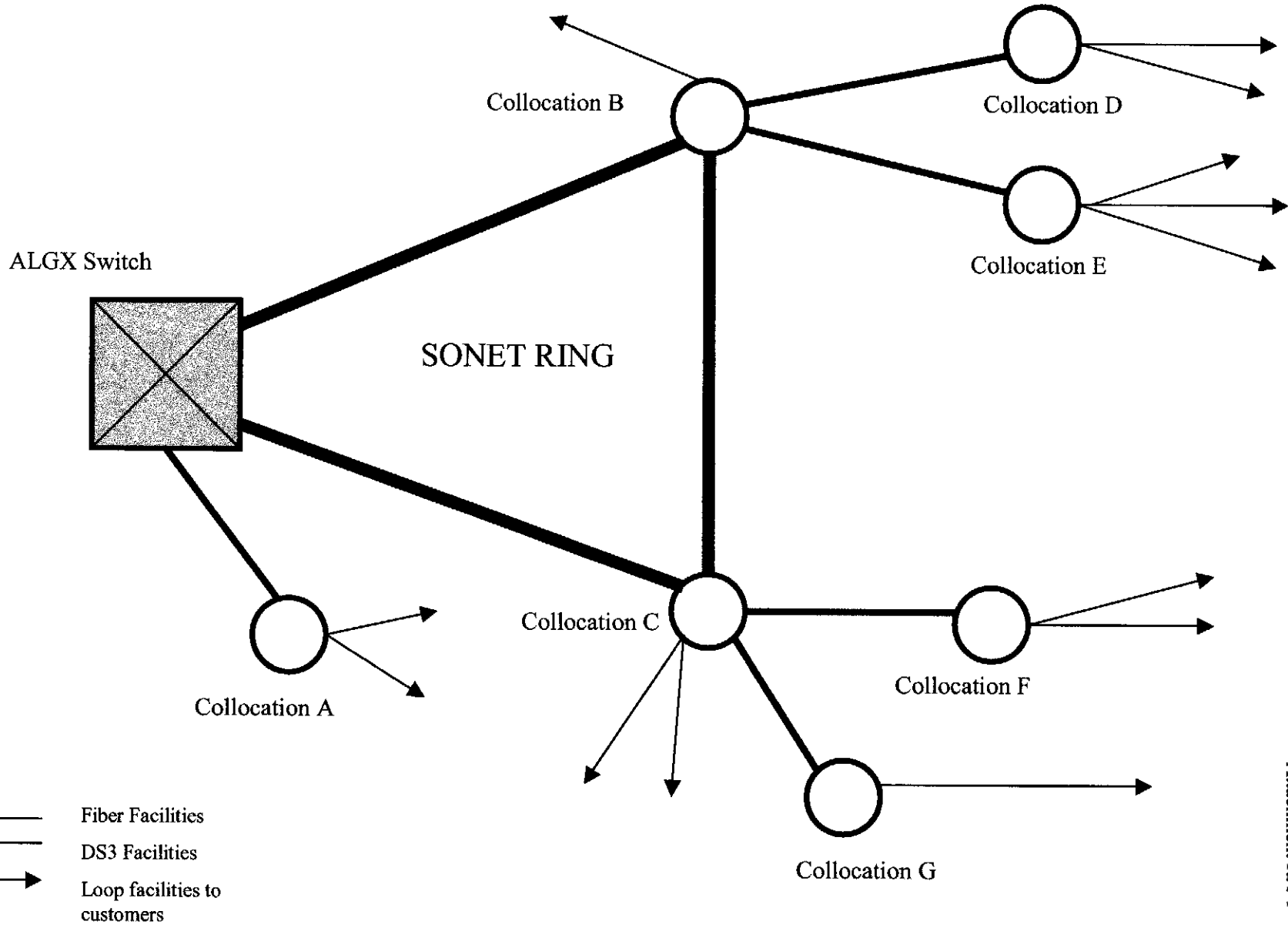
**Q30. PLEASE SUMMARIZE YOUR TESTIMONY.**

A30. As I have demonstrated in my testimony, SBC Illinois has made so many errors in the assumptions and conclusions that they have drawn from the Allegiance data that it certainly calls into serious question the reliability of the non-impairment conclusions they have reached with respect to all of the data. Consequently, the Commission should adopt the Allegiance proposal for verification of all transport routes and loop locations before the Commission concludes that any transport routes or loop locations satisfy any of the triggers.

**Q23. DOES THIS CONCLUDE YOUR TESTIMONY?**

A23. Yes.

# TYPICAL DESIGN FOR ALLEGIANCE DISTRIBUTION NETWORK




Allegiance Exhibit 1.0
ICC Docket No. 03-0596
Attachment RA-1